

# Supplemental Report 4

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## **Financial Status of Indianapolis Charter Schools**

The Mayor's Office contracted with an outside firm, H.J. Umbaugh & Associates, to study each school's finances. The firm created extensive financial reporting templates to guide this analysis. By using these templates, H.J. Umbaugh & Associates was able to produce financial statements on the schools, plus useful financial ratios.

A brief summary of the firm's findings appears in this supplemental report. Indiana's Charter School Law also requires each school to submit to an audit by the Indiana State Board of Accounts.



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September 4, 2003

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H.J. Umbaugh & Associates is a firm of Certified Public Accountants practicing exclusively as independent financial advisors. In existence for over fifty years, H.J. Umbaugh & Associates is solely devoted to assisting cities, towns, municipal utilities, schools, counties and similar governmental units. H.J. Umbaugh & Associates is a regional CPA firm with offices in Indianapolis and Plymouth, Indiana and an affiliated office in Lansing, Michigan. H.J. Umbaugh & Associates is consistently ranked as the leading financial advisory firm in the State of Indiana by Thomson Financial Securities Data.

H.J. Umbaugh & Associates has been retained by the City of Indianapolis to develop and identify certain performance measures and to compile quarterly special purpose reports directed toward providing information for review and consideration relative to the financial management of the Indianapolis Charter Schools. The reports may help City and Charter School officials evaluate the financial standing of each Charter School. The reports also summarize revenue and spending decisions that help the City of Indianapolis and each Charter School to monitor progress toward the individual goals and objectives of each Charter School.

To that end, we have compiled financial statements of the 21<sup>st</sup> Century Charter School, Christel House Academy and Flanner House Elementary charter schools plus supplementary information including certain measurements, both financial and non-financial, that can be quantified and reported about each Charter School's performance.

With the exception of the adherence to the prescribed financial reporting standards and the absence of public funding streams, we note nothing in our reports on financial performance that we wish to emphasize. Each school has adopted a financial reporting model that adheres to the standard set forth by the Indiana State Board of Accounts. This standard will allow each school to produce financial reports that will allow for a thorough analysis of performance and allow for the ongoing monitoring of operation and maintenance costs, debt service and capital expenditures. We also wish to emphasize that as of June 30, 2003, each Charter School was heavily dependent upon non-recurring receipts from contributions and grants to support its operation and maintenance costs. As of June 30, 2003, the charter schools had not received funding from local funds. Over time, if the schools receive local funding (through property taxes), they may be in a position to decrease their reliance on contributions and grants.

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## Guide to the Financial Statements

The Receipts and Disbursement by Fund Type report is a summary of each school's beginning cash balances, receipts, disbursements and ending cash balances by fund type for a given period of time. In this case, the report summarizes activity for the twelve months ended June 30, 2003. This period represents the first full year of operation for each school. This statement is the most general of all financial statements prepared by each school.

### Receipts

The report lists sources of funds in the left-hand column under the heading "Receipts." All of a charter school's funds come from one of four sources:

- **Local** sources (including private donations and fees charged for food service, textbooks, and other services).<sup>1</sup>
- **State** sources (including the basic grants all charter schools receive from the State of Indiana and grants from any other state programs).
- **Federal** sources (including any federal grant funds).
- **Holding account for employee benefits** (including funds the school sets aside for such purposes as payroll tax withholdings, Public Employees' Retirement Fund withholdings, and Teachers' Retirement Fund withholdings).

### Disbursements

The report lists uses of funds in the left-hand column under the heading "Disbursements." All of a charter school's expenditures fall into one of five categories:

- **Instruction** related disbursements are for regular elementary school programs, programs related to learning disabilities, and other special educational programs.
- **Support service** disbursements are for student services related to social work, guidance, and health; expenses for instruction, curriculum development, staff training, and educational media; and expenses for administrative items such as legal services, financial accounting, facilities acquisition and construction, facility operation and maintenance, student transportation, food services, and technology support and maintenance.
- **Community services** disbursements represent expenses primarily for child care services, but may also include other community related activities such as civic service and latch key programs.
- **Non-programmed charges** represent transfers from one fund to another.
- **Debt service** disbursements are related to principal and interest on debt for items such as school buses, buildings and other improvements financed through borrowing.

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<sup>1</sup> For 21<sup>st</sup> Century, the local source amount also includes special education funds that 21st Century shared with the other charter schools under a cooperative arrangement.

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## **Cash Balances**

The first and last rows of the schedule show the amount of cash and investments each school had at the beginning of the fiscal year (zero in all three cases since these were new schools) and at the end of the fiscal year.

## **Fund Types**

The report divides financial activity into fund types across the schedule's columns. The first four columns of numbers represent Governmental funds, which are used for the overall operation of the school. Within Governmental funds, the columns further divide financial activity into General (funds available to the school for general purposes), Special Revenue (funds restricted for particular purposes), and Debt Service and Capital Projects (not applicable in any of these statements). The next two columns represent Fiduciary funds, which are funds held by the school for further distribution (such as payroll taxes and employee withholdings). Within Fiduciary funds, all financial activity falls in the Agency column, which represents funds the school obtains and disburses for purposes such as funds the school sets aside for such purposes as payroll tax and retirement fund withholdings.

**INDIANAPOLIS CHARTER SCHOOLS**  
**- 21st Century Charter School -**

**RECEIPTS AND DISBURSEMENTS BY FUND TYPE**  
**For the twelve months ended June 30, 2003.**  
**(Unaudited)**

	Governmental Fund Types				Fiduciary Fund Types		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust	Agency	
Cash and Investments, July 1, 2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Local sources	301,312	1,259,392	-	-	-	-	1,560,704
State sources	656,989	9,699	-	-	-	-	666,688
Federal sources	-	275,471	-	-	-	-	275,471
Holding account for employee benefits (net)	-	-	-	-	-	15,282	15,282
Total Receipts	958,301	1,544,562	-	-	-	15,282	2,518,145
Disbursements:							
Instruction	381,595	67,866	-	-	-	-	449,461
Support services	720,267	1,076,664	-	-	-	-	1,796,931
Community services	40	-	-	-	-	-	40
Non-programmed charges	(315,299)	315,299	-	-	-	-	-
Debt service	91,080	-	-	-	-	-	91,080
Total Disbursements	877,683	1,459,829	-	-	-	-	2,337,512
Net Receipts/(Disbursements)	80,618	84,733	-	-	-	15,282	180,633
Cash and Investments, June 30, 2003	\$ 80,618	\$ 84,733	\$ -	\$ -	\$ -	\$ 15,282	\$ 180,633

**INDIANAPOLIS CHARTER SCHOOLS**

**- Christel House Academy -**

**RECEIPTS AND DISBURSEMENTS BY FUND TYPE**

**For the twelve months ended June 30, 2003.**

**(Unaudited)**

	Governmental Fund Types				Fiduciary Fund Types		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust	Agency	
Cash and Investments, July 1, 2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Local sources	937,592	7,197	-	-	-	130,000	1,074,789
State sources	1,298,706	16,245	-	-	-	-	1,314,951
Federal sources	-	294,330	-	-	-	-	294,330
Holding account for employee benefits (net)	-	-	-	-	-	(1,194)	(1,194)
Total Receipts	2,236,298	317,772	-	-	-	128,806	2,682,876
Disbursements:							
Instruction	535,636	113,853	-	-	-	-	649,489
Support services	1,029,868	396,242	-	-	-	-	1,426,110
Community services	-	2,499	-	-	-	122,292	124,791
Non-programmed charges	217,633	(223,429)	-	-	-	5,796	-
Total Disbursements	1,783,137	289,165	-	-	-	128,088	2,200,390
Net Receipts/(Disbursements)	453,161	28,607	-	-	-	718	482,486
Cash and Investments, June 30, 2003	\$ 453,161	\$ 28,607	\$ -	\$ -	\$ -	\$ 718	\$ 482,486

**INDIANAPOLIS CHARTER SCHOOLS**  
**- Flanner House Elementary -**

**RECEIPTS AND DISBURSEMENTS BY FUND TYPE**

**For the twelve months ended June 30, 2003.**

**(Unaudited)**

	Governmental Fund Types				Fiduciary Fund Types		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust	Agency	
Cash and Investments, July 1, 2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Local sources	8,185	141,840	-	-	-	20,000	170,025
State sources	693,289	4,855	-	-	-	-	698,144
Federal sources	-	228,675	-	-	-	-	228,675
Holding account for employee benefits (net)	-	-	-	-	-	10,708	10,708
Total Receipts	701,474	375,370	-	-	-	30,708	1,107,552
Disbursements:							
Instruction	345,655	22,506	-	-	-	-	368,161
Support services	503,369	53,161	-	-	-	20	556,550
Non-programmed charges	(192,323)	196,408	-	-	-	-	4,085
Total Disbursements	656,701	272,075	-	-	-	20	928,796
Net Receipts/(Disbursements)	44,773	103,295	-	-	-	30,688	178,756
Cash and Investments, June 30, 2003	\$ 44,773	\$ 103,295	\$ -	\$ -	\$ -	\$ 30,688	\$ 178,756